

P-407, 421/CP-91-246 ORDER ADOPTING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
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Chair
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for
Extended Area Service From the
Finlayson to the Sandstone
Exchange

ISSUE DATE: July 7, 1993

DOCKET NO. P-407, 421/CP-91-246

ORDER ADOPTING RATES FOR POLLING

PROCEDURAL HISTORY

On April 1, 1991, petitioners in both the Finlayson and Sandstone exchanges petitioned for extended area service (EAS) to the other exchange.

On December 19, 1991, the Commission issued its ORDER DENYING SANDSTONE PETITION AND REQUIRING COST STUDIES AND PROPOSED RATES IN FINLAYSON PETITION.

On March 30 and April 2, 1992, U S West Communications, Inc. (USWC) and GTE Minnesota (GTE), respectively, filed corrected cost studies and proposed rates.

On May 11, 1992, the Minnesota Department of Public Service (the Department) filed its report and recommendation to which USWC responded on June 1, 1992.

On June 22, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

Allocation of EAS Costs Between the Petitioning Finlayson Exchange and the Petitioned Sandstone Exchange

The EAS statute divides EAS petitions into two groups with respect to this issue: 1) petitions for EAS to the metropolitan calling area (MCA) and 2) all other EAS petitions. For petitions to the MCA, the statute mandates that the petitioning exchange rates defray 75 percent of the costs of providing EAS. For other petitions, the statute leaves to the sound discretion of the

Commission what percentage (between 50 and 75 percent) of EAS costs the petitioning exchange will be required to defray in its rates. Minn. Stat. § 237.161, subd. 3 (a) (1990).

The Department and USWC argued that because the EAS implementation process allows Finlayson subscribers to vote whether EAS will be installed but denies the same opportunity to subscribers in the petitioned exchange, it is fair that Finlayson defray the maximum statutory amount of EAS costs, i.e. 75 percent of those costs.

The opportunity to vote is a consideration, but as indicated in previous dockets where the Department has made this argument, the Commission does not find this consideration dispositive.¹ The legislature did not establish a presumption that the petitioning exchange, because it gets to vote, must pay 75 percent of the costs. According to the statutory process, subscribers in the petitioning exchange are always the only subscribers polled in all cases. Knowing this, the legislature clearly stated that rates for non-metro petitions could be set between 50 and 75 percent, thereby indicating that other factors must be considered in deciding what percentage of cost to be allocated to the petitioning exchange.

In choosing what percentage (between 75 and 50 percent) of EAS costs it will impose on the petitioning exchange, the Commission's discretion is guided by Minn. Stat. § 237.161, subd. 3 (b) (1990). That statute requires the Commission to consider the interests of all parties when determining a fair and equitable EAS rate. The Commission's ultimate goal, then, is to select a cost allocation that results in fair and equitable rates for both the petitioning and petitioned exchanges.

In this case, the Commission notes that the disparity in size between the petitioning exchange (Finlayson: 598 subscribers) and the petitioned exchange (Sandstone: 1,227) is not so great that increasing the percentage of costs allocated to Sandstone will result in vast savings for Finlayson and modest increases for Sandstone. To demonstrate: increasing Sandstone's costs from the minimum 25 percent to the maximum 50 percent nearly doubles the rate for Sandstone while reducing Finlayson's allocation from 75 percent to 50 percent reduces Finlayson EAS rates by less than one-third. In addition, traffic studies on file in this matter suggest a much stronger interest in the proposed EAS among Finlayson subscribers than exists among Sandstone subscribers.

¹ For a similar discussion and analysis see: In the Matter of a Petition for Extended Area Service From the Loman Exchange to the International Falls, Ericsburg, and Ranier Exchanges, Docket No. P-407/CP-90-547, ORDER ADOPTING RATES FOR POLLING (March 25, 1992).

In fact, a petition for EAS from Sandstone to Finlayson failed and was dismissed for lack of adequate traffic from Sandstone to Finlayson. Only 43 percent of Sandstone subscribers made more than one call per month to Finlayson whereas approximately 62 percent of Finlayson subscribers made more than one call per month to Sandstone.

In these circumstances, the Commission finds that it is more prudent and fairer to allocate to Sandstone the lower end of the discretionary range, i.e. 25 percent of the costs of installing and providing the requested EAS. The Commission will adopt rates based on such an allocation.

Cost of Money

The Department continued its objection to the cost of money figure used by USWC in calculating proposed EAS rates. This issue has been thoroughly analyzed in previous cases, most recently in the Order denying the Department's request for reconsideration of the issue in the Monticello EAS case.² The costs considered in calculating EAS rates are best estimations of what the costs will be during the period of time that the EAS rates are in effect. The Department has presented nothing to persuade the Commission that USWC's method of calculating that cost is unreasonable. The de minimis argument applies as well: according to the Department's calculations for the 75/25 cost allocation adopted in this Order, use of the Department's proposed lower cost of money would have no effect upon the petitioned exchange's (Sandstone's) rates and a one and two cent reduction in the Finlayson residential and business rates, respectively. Accordingly, the Commission will approve USWC's use of a 13.4 percent return on equity figure in calculating the rates in this case.

ORDER

1. The Commission hereby adopts the following EAS rate additives for the EAS route proposed between Finlayson and Sandstone:

² In the Matter of a Petition for Extended Area Service Between the Monticello Exchange and the Minneapolis/St. Paul Metropolitan Calling Area, Docket No. P-404, 421, 430, 407, 405, 520, 426/CP-89-1039, ORDER DENYING RECONSIDERATION AND REQUIRING REFILED COST STUDIES AND PROPOSED RATES (June 15, 1993), pages 2-3.

FINLAYSON

Class of Service

Residential	\$ 1.85
Business	3.70

SANDSTONE

Class of Service

1 FR	\$ 0.27
1 FR-Key	0.29
2 FR	0.21
1 FB	0.66
1 FB-Key	0.70
Trunk	0.76
Semi-Pub	0.66

2. GTE Minnesota shall cooperate with Commission Staff to provide customer lists (one deliverable address for reach access line) and other information needed to poll the Finlayson exchange.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)